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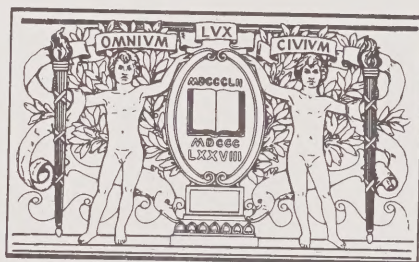
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An Analysis of
Class A Office
Space in Downtown Boston

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A Profile of the Class A Office Market in Downtown Boston

This report provides a profile of the Class A office space in Downtown Boston. It discusses the characteristics of building stock, the supply of space by location, rent, building type and size as well as industrial classifications of tenant firms and employee job categories. An analysis of these factors should facilitate an understanding of the ebb and flow of demand for space by industry and the identification of expanding and contracting segments of the economy.

The real estate industry in Downtown Boston uses many definitions of Class A space (see below). The BRA has distilled a set of definitions and established specific criteria for the designation of Class A office space, as well as two subcategories of Class A space. The designation of Class A1 applies principally to large, new buildings. Parameters for Class A1 space include:

1. Minimum rent of \$25/square foot
2. Construction date of 1960 or later

The buildings which fall into this category are, in general, 100,000 square feet or more in size and are located in the Financial District or Back Bay.

Parameters for Class A2 space include:

1. Minimum rent of \$20/square foot
2. Construction or rehabilitation date of 1960 or later

The parameters enumerated for Class A space yield a list of 97 buildings for a total of 26,334,634 square feet. (see appendix, exhibit 1.) Class A space represents 60 percent of the total inventory of existing office space (43,754,097 square feet, including Class B and C space, in 383 buildings) in

BOSTON'S CLASS A OFFICE MARKETS



Downtown Boston. The breakdown of Class A space into two categories demonstrates the tendency in recent years of developers to build larger and more elaborate structures than in previous years. Class A1 space includes 18,754,827 square feet in 32 buildings. Class A2 space comprises 7,579,807 square feet in 65 buildings.

The key parameters which constrain the Class A lists are construction and rehabilitation dates and minimum rents. Construction dates eliminate older, well-kept buildings from the Class A list. Data from the Office Industry Survey tend to support this omission by indicating that older, unrehabilitated buildings are more costly to operate and maintain per square foot than new or rehabilitated buildings. In addition, the small floor plates tend to limit the access of large Class A tenants.

The minimum rent of \$20/square foot sets apart rehabilitated space in areas in transition (Bulfinch Triangle, the Leather District and Fort Point Channel) and market areas distant from the center of the city (Charlestown and South Boston).

Conversely, the high end minimum rents tend to place most Class A space in the central business district (including Back Bay). All buildings in the Class A inventory have been assigned to one of three geographical districts - the Financial District, Back Bay, and Government (see accompanying map). By virtue of high rents and spurred by the developments of International Place and Rows Wharf as well as the rehabilitation of several buildings along Atlantic Avenue, the boundaries of the Financial District will expand to include the wharf areas which are within close proximity to the financial services industries.

The boundaries of the Back Bay area have expanded to accommodate increasing demand in an area of limited supply. Table 1 sums Class A space by District and subclassification.

Table 1. Class A Buildings by Market Area

| <u>Market Area</u> | <u>A1 Buildings Square ft.</u> | <u>Number of Buildings</u> | <u>A2 Buildings Square ft.</u> | <u>Number of Buildings</u> |
|--------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Financial | 14,097,522 | 23 | 4,158,187 | 43 |
| Back Bay | 2,980,947 | 5 | 2,590,320 | 13 |
| Government & Other | 1,676,358 | 4 | 831,300 | 9 |
| Total | 18,754,827 | 32 | 7,579,807 | 65 |

A weighted average calculated by multiplying average rent by total square feet and dividing by total square feet revealed the weighted rent in Class A space to range from an average low of \$28.05 per square foot to an average high of \$31.81 per square foot.

Another descriptive term used frequently with office space is tower vs. non tower. The term "tower" usually refers to buildings over a certain number of stories. For purposes of this report, tower has been defined as any building over 12 stories in height. (See frequency distribution graphs.) The frequency distribution graphs indicate that a natural break point in terms of stories is 24. However, 24 stories left too few buildings in the tower category for analysis. Another break point appeared to be in the 9-16 story range. A break point of 13 cast thirty-two buildings in the tower category.

Analysis revealed that of the 32 buildings in the Class A1 category, 25, representing 16,937,007 square feet are towers. In the Class A2 category, 9 buildings or 2,897,412 square feet are towers. The following table examines number and square feet of towers by market area.

Table 2. Square Feet of Office Towers by Market Area
and A1 and A2 Subclassifications

| <u>Market Area</u> | <u>Square Feet in A1 Buildings</u> | <u>Number of Buildings</u> | <u>Square Feet in A2 Buildings</u> | <u>Number of Buildings</u> |
|--------------------|--|--------------------------------|--|--------------------------------|
| Financial | 13,847,542 | 21 | 1,229,805 | 5 |
| Back Bay | 1,989,465 | 3 | 1,667,607 | 4 |
| Government | 1,100,000 | 1 | 0 | 0 |
| Total | 16,937,007 | 25 | 2,897,412 | 9 |

Class A space represents 60 percent of office space in Downtown Boston. Another 286 buildings or 17,419,460 square feet of office space are made up of Class B and C buildings. Of those buildings, 10 are towers representing 2,091,658 square feet of space. A total of 242 buildings (or 7,808,655 square feet) are less than 100,000 square feet in size. Nearly all non-Class A buildings were constructed prior to 1960. Of the total of 286 non-Class A buildings, only two report charging rents greater than or equal to \$20/square foot. The profile of non-Class A space, then, is of an older, non-rehabilitated building which is small, possibly in a neighborhood outside of the Financial, Back Bay, or Government District, and is comparatively inexpensive to rent.

Realtor Office Market Reports

A close examination of the criteria which commercial real estate firms use to define Class A space revealed a broad range of parameters with considerable variation in criteria and methodology. See Tables 3 and 4.

Table 3. Parameters for Class A Space as Determined by Spaulding & Slye and Cushman Wakefield

| <u>Commercial Firm</u> | <u>Total Number of Buildings Defined as Class A</u> | <u>Range of Square Feet Per Building</u> | <u>Range of Rent/SF</u> |
|------------------------|---|--|-------------------------|
| Spaulding & Slye* | 146 | 7,129-2,000,000 | \$14-\$60 |
| Cushman Wakefield* | 49 | 60,000-1,588,633 | \$22-\$60 |
| Consensus List** | 41 | 45,000-2,000,000 | \$20-\$60 |

* Lists of buildings designated as Class A space by the commercial real estate firms can be found in the appendix.

** These buildings appear on all 3 lists.

Table 4. Location of Class A Space as Defined by Commercial Real Estate Firms

| <u>Commercial Firm</u> | <u>Submarket Areas</u> | | | | | | |
|------------------------|------------------------|-----------------|--------------|---------------|------------------|-------------------|--------------------|
| | <u>Financial</u> | <u>Back Bay</u> | <u>Gov't</u> | <u>Retail</u> | <u>Ft. Point</u> | <u>Waterfront</u> | <u>Charlestown</u> |
| Spaulding & Slye | X | X | X | X | X | X | X |
| Cushman Wakefield | X | X | X | X | X | | |
| Consensus List | X | X | X | X | X | | |

The Spaulding and Slye Survey, for example, includes as Class A office space buildings in Charlestown and Fort Point Channel whose rents range from \$14 to \$17 per square foot. The inclusion of these and other buildings which are physically distant from the downtown market stretch the limits of what historically has been defined as downtown.

The Cushman Wakefield report identifies only forty-nine buildings as Class A space. Buildings on this survey range from 34,000 to 1,600,000 square feet, have minimum rents of \$20/square foot and were constructed or rehabilitated during or after 1960. Undefined additional criteria for Class A space cause such gems as One Liberty Square and 45 School Street to be omitted from their list of Class A space.

Of all criteria used by commercial real estate firms, dates of original construction and/or rehabilitation are the most consistent arbiters for exclusion or inclusion from lists of Class A space. See Table 5.

Table 5. Date of Construction and Rehabilitation as the Defining Parameters for Class A Space in the Spaulding & Slye and Cushman Wakefield Reports

| <u>Commercial Firm*</u> | <u>Total Square Feet Of Class A Space Listed on Survey</u> | <u>Class A Space Constructed Or Rehabbed After 1959</u> | <u>Percent of Total Class A Space</u> |
|-------------------------|--|---|---|
| Spaulding & Slye | 37,287,209 | 37,021,209 | 99 |
| Cushman Wakefield | 20,983,252 | 20,983,252 | 100 |

* Lists of Class A space as defined by Spaulding & Slye, and Cushman Wakefield as well as a Consensus List of buildings found on both reports can be found in the appendix.

For the purpose of its own "consensus" analysis, the BRA has established specific identifiable criteria for Class A space, drawing on the pioneering work of the commercial real estate industry.

APPENDIX

BOSTON REDEVELOPMENT AUTHORITY
REPORT ON CLASS A OFFICE SPACE
SUMMER, 1987

| ADDRESS | SQUARE FEET | STORIES | MARKET AREA | CLASS |
|------------------------|-------------|---------|-------------|-------|
| ** CLASS A1 | | | | |
| 1 BOSTON PLACE | 820000 | 40 | FINANCIAL | A1 |
| 1 FEDERAL ST. | 1103000 | 38 | FINANCIAL | A1 |
| 133 FEDERAL ST. | 139980 | 12 | FINANCIAL | A1 |
| 155 FEDERAL ST. | 200000 | 18 | FINANCIAL | A1 |
| 175 FEDERAL ST. | 220000 | 16 | FINANCIAL | A1 |
| 1 FINANCIAL CENTER | 1088000 | 45 | FINANCIAL | A1 |
| 225 FRANKLIN ST. | 852000 | 33 | FINANCIAL | A1 |
| 260 FRANKLIN ST. | 350000 | 23 | FINANCIAL | A1 |
| 265 FRANKLIN ST. | 322000 | 20 | FINANCIAL | A1 |
| 99 HIGH ST. | 728000 | 32 | FINANCIAL | A1 |
| 125 HIGH ST. | 313500 | 16 | FINANCIAL | A1 |
| 50 MILK STREET | 262597 | 21 | FINANCIAL | A1 |
| 1 POST OFFICE SQUARE | 760000 | 42 | FINANCIAL | A1 |
| 28 STATE STREET | 580016 | 40 | FINANCIAL | A1 |
| 53 STATE ST. | 1095415 | 40 | FINANCIAL | A1 |
| 60 STATE ST. | 823014 | 38 | FINANCIAL | A1 |
| 200 STATE ST. | 296000 | 16 | FINANCIAL | A1 |
| 99 SUMMER ST. | 240000 | 20 | FINANCIAL | A1 |
| 100 SUMMER ST. | 1100000 | 33 | FINANCIAL | A1 |
| 1 WASHINGTON MALL | 154000 | 18 | FINANCIAL | A1 |
| 1 BEACON ST. | 1100000 | 40 | GOVERNMENT | A1 |
| 1 CENTER PLAZA | 187276 | 9 | GOVERNMENT | A1 |
| 2 CENTER PLAZA | 193082 | 9 | GOVERNMENT | A1 |
| 3 CENTER PLAZA | 196000 | 9 | GOVERNMENT | A1 |
| 30 WINTER ST. | 110000 | 11 | RETAIL | A1 |
| 600 ATLANTIC AVE. | 1140000 | 32 | FINANCIAL | A1 |
| 399 BOYLSTON ST. | 207832 | 13 | BACK BAY | A1 |
| 699 BOYLSTON ST. | 193000 | 15 | BACK BAY | A1 |
| 855 BOYLSTON ST. | 146482 | 11 | BACK BAY | A1 |
| 200 CLARENDON ST. | 2000000 | 60 | BACK BAY | A1 |
| 100 HUNTINGTON AVE. | 845000 | 7 | BACK BAY | A1 |
| 100 FEDERAL ST. | 1400000 | 39 | FINANCIAL | A1 |
| ** Subtotal ** | | | | |
| | 19166194 | | | |
| ** CLASS A2 | | | | |
| 400 ATLANTIC AVE. | 102000 | 6 | FINANCIAL | A2 |
| 470 ATLANTIC AVE | 333000 | 13 | FINANCIAL | A2 |
| 520-540 ATLANTIC | 333000 | 7 | FINANCIAL | A2 |
| 22 BATTERYMARCH STREET | 33000 | 7 | FINANCIAL | A2 |
| 60 BATTERYMARCH | 245000 | 14 | FINANCIAL | A2 |
| 88 BROAD ST. | 64080 | 9 | FINANCIAL | A2 |
| 60 CONGRESS ST. | 109246 | 6 | FINANCIAL | A2 |
| 30-40 COURT ST. | 82542 | 10 | FINANCIAL | A2 |
| 25-55 COURT ST. | 60000 | 5 | FINANCIAL | A2 |
| 2 DEVONSHIRE PLACE | 138000 | 32 | FINANCIAL | A2 |
| 82 DEVONSHIRE ST. | 196000 | 10 | FINANCIAL | A2 |
| 85 DEVONSHIRE ST. | 73260 | 10 | FINANCIAL | A2 |

BOSTON REDEVELOPMENT AUTHORITY
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SUMMER, 1987

| ADDRESS | SQUARE FEET | STORIES | MARKET AREA | CLASS |
|--------------------------|-------------|---------|-------------|-------|
| 161-175 DEVONSHIRE ST. | 60000 | 11 | FINANCIAL | A2 |
| 181-185 DEVONSHIRE PLACE | 74500 | 11 | FINANCIAL | A2 |
| 100 FRANKLIN ST. | 102100 | 9 | FINANCIAL | A2 |
| 274 FRANKLIN ST. | 19200 | 6 | FINANCIAL | A2 |
| 126 HIGH ST. | 56000 | 8 | FINANCIAL | A2 |
| 176 FEDERAL ST. | 81000 | 6 | FINANCIAL | A2 |
| 1 LIBERTY SQUARE | 140000 | 13 | FINANCIAL | A2 |
| 10 LIBERTY SQUARE | 21000 | 6 | FINANCIAL | A2 |
| 1 MILK STREET | 44500 | 5 | FINANCIAL | A2 |
| 45 MILK STREET | 73658 | 9 | FINANCIAL | A2 |
| 168-174 MILK STREET | 10000 | 5 | FINANCIAL | A2 |
| 2 OLIVER STREET | 212000 | 11 | FINANCIAL | A2 |
| 10 POST OFFICE SQUARE | 373805 | 13 | FINANCIAL | A2 |
| 45 SCHOOL STREET | 76750 | 6 | FINANCIAL | A2 |
| 27 STATE STREET | 24486 | 11 | FINANCIAL | A2 |
| 31-33 STATE ST. | 24000 | 10 | FINANCIAL | A2 |
| 84 STATE ST. | 120000 | 11 | FINANCIAL | A2 |
| 160-170 STATE ST. | 30000 | 10 | FINANCIAL | A2 |
| 71,77 SUMMER ST. | 70000 | 11 | FINANCIAL | A2 |
| 101-103 SUMMER ST. | 67148 | 9 | FINANCIAL | A2 |
| 7 WATER ST. | 28296 | 6 | FINANCIAL | A2 |
| 1 WINTHROP SQUARE | 90000 | 5 | FINANCIAL | A2 |
| 10 WINTHROP SQUARE | 27000 | 6 | FINANCIAL | A2 |
| 20 WINTHROP SQUARE | 32500 | 5 | FINANCIAL | A2 |
| 1 BULFINCH PLACE | 45000 | 5 | GOVERNMENT | A2 |
| 15 NEW CHARDON ST. | 80000 | 7 | GOVERNMENT | A2 |
| 25 NEW CHARDON ST. | 80000 | 5 | GOVERNMENT | A2 |
| 50 STANIFORD ST. | 200000 | 10 | GOVERNMENT | A2 |
| 100 CHARLES RIVER PLAZA | 130000 | 9 | GOVERNMENT | A2 |
| 1 CITY HALL PLAZA | 46800 | 5 | GOVERNMENT | A2 |
| 200 PORTLAND ST. | 87000 | 6 | GOVERNMENT | A2 |
| 100 NORTH WASHINGTON ST. | 50000 | 6 | GOVERNMENT | A2 |
| 77 NORTH WASHINGTON ST. | 112500 | 9 | GOVERNMENT | A2 |
| 105 CHAUNCY ST. | 70000 | 10 | RETAIL | A2 |
| 2 PARK PLAZA | 35700 | 7 | RETAIL | A2 |
| 183 ESSEX ST. | 165000 | 8 | RETAIL | A2 |
| 17 ARLINGTON ST. | 4800 | 6 | BACK BAY | A2 |
| 419 BOYLSTON ST. | 39903 | 8 | BACK BAY | A2 |
| 535 BOYLSTON ST. | 84800 | 13 | BACK BAY | A2 |
| 545 BOYLSTON ST. | 75000 | 14 | BACK BAY | A2 |
| 575 BOYLSTON ST. | 28500 | 8 | BACK BAY | A2 |
| 800 BOYLSTON ST. | 1000000 | 52 | BACK BAY | A2 |
| 101 HUNTINGTON AVE. | 507807 | 26 | BACK BAY | A2 |
| 2 NEWBURY ST. | 15546 | 6 | BACK BAY | A2 |
| 126 NEWBURY ST. | 33000 | 6 | BACK BAY | A2 |
| 6 ST. JAMES AVE. | 181664 | 10 | BACK BAY | A2 |
| 31 ST. JAMES AVE. | 416000 | 11 | BACK BAY | A2 |
| 330 STUART ST. | 86000 | 10 | BACK BAY | A2 |
| 380 STUART ST. | 117300 | 9 | BACK BAY | A2 |

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SUMMER, 1987

| ADDRESS | SQUARE FEET | STORIES | MARKET AREA | CLASS |
|--------------------|-------------|---------|-------------|-------|
| 99 BEDFORD ST. | 83885 | 6 | RETAIL | A2 |
| 4,5,6 FANEUIL HALL | 55208 | 5 | GOVERNMENT | A2 |
| 7 WINTHROP SQUARE | 30000 | 6 | FINANCIAL | A2 |
| 1,2,3 FANEUIL HALL | 91323 | 5 | GOVERNMENT | A2 |
| ** Subtotal ** | | | | |
| | 7579807 | | | |
| *** Total *** | | | | |
| | 26746001 | | | |

